STATE OF TENNESSEE
Division of Consumer Affairs

RE: Nisolo, LLC

Thank you for submitting information to the Tennessee Division of Consumer Affairs regarding the business practices of the above-mentioned company. We appreciate having these issues brought to our attention and encourage consumers to make such reports. Consumer Affairs is the central clearinghouse for all complaints of unfair or deceptive trade practices involving either Tennessee residents or businesses based in Tennessee. All complaints submitted to us are maintained as public records and may be used to assist other consumers who inquire about a business.

Our review of this complaint matter is ongoing. We will reach out should any new information become available. In the meantime, we are including below some information that Nisolo, LLC has provided so that you will have it for your records.

Sincerely,

Office of Tennessee Attorney General
Division of Consumer Affairs
Phone: 615-532-5847
Email: consumer.affairs@ag.tn.gov
Website: www.tn.gov/consumer

Enclosure

Nisolo LLC fully acknowledges and embraces that some customers have had a negative experience as members of Nisolo LLC's FIVE for FIVE Club (from here forward also referred to as "the Club"), and Nisolo LLC remains deeply apologetic for the justifiable concerns that customers have expressed. At all past points in time, Nisolo LLC (from here forward also referred to as "the Company") fully intended to satisfy the very fair and reasonable expectations of Club members, and it was not until the Company faced significant financial distress (and eventually, a foreclosure) primarily due to factors outside of the Company's control that the Company was unable to meet the expectations of Club members.

Today, the Nisolo brand, website, email, social channels, etc. are being operated by a new, separate legal entity and management team. This detailed response aims to provide context for what has unfolded up to this point and to share the only resolution possible in light of the terms of the program and the significant, recent change in Nisolo LLC's circumstances described below.

For reference, the agreed-upon terms associated with Club membership are detailed at the very end of this response, following the "Terms and Conditions Overview" section, where questions and concerns related to the actual terms of the program can be answered in full. In order to address questions and concerns related to matters not pertaining to the terms and conditions of the Club, it's important to share the history of the program, how the Club arrived at its unfortunate end, and what resolutions remain available to Club members today.

Background & History of the FIVE for FIVE Club

7+ Years of Successful Club Operation
Dating as far back as 2016, Nisolo LLC has operated its FIVE for FIVE Club, a membership offering that provided customers with redeemable codes/credits for products over a set period in exchange for an up front payment of membership. While the Club grew over time in line with the broader growth of the Company, the Club remained a small part of Nisolo LLC's business operations, as the vast majority of the Company's customers were regularly paying, non-Club-participating customers who bought the Company's footwear and accessory products directly from the Nisolo.com website.

For 7+ years from Q4 of 2016 to Q4 of 2023, Nisolo LLC fulfilled obligations to Club members and delivered thousands upon thousands of products in an on-time manner and in accordance with the expectations of Club members as well as the terms and conditions of the Club. Beyond the fulfillment of expectations from 2016-2020 (the first 5 years of the program), the Company continued selling memberships in 2021, 2022, and 2023, and continued to successfully meet expectations and obligations under the terms and conditions of the Club throughout this time.

However, once Nisolo LLC entered a substantially distressed financial position due to broader U.S. macroeconomic trends in the direct-to-consumer E-Commerce retail industry, net new memberships were no longer sold and the expectations of existing Club members were not always able to be met.

2023 Macroeconomic Challenges Disrupt Club Operations
For context, when the macroeconomy in the U.S. began to waver in 2023, the impact on small and medium sized direct-to-consumer brands like Nisolo was significant. Broader consumer sentiment softened as inflation climbed and interest rates increased–creating the most challenging environment retail companies and direct-to-consumer E-commerce brands like Nisolo had experienced since the Great Recession. Following some of the largest bank failures in U.S. history (in Silicon Valley Bank, Signature Bank, and First Republic Bank, etc.), the flow of debt and investor capital to brands like Nisolo began to shrink at a fast pace. With hindsight serving as 20/20, this would eventually become especially detrimental for Nisolo LLC because the Company was due to begin raising its most important investor capital round yet just as the effects of these events had begun to unfold.

Following a year in which the Company had just grown its core revenue by more than 100% year-over-year (not including Club membership sales) and continued to trend up more than 70% year over year for much of 2023, considerable progress was made in gathering investor interest for the Company even though the broader economic climate remained difficult. However, as the year progressed, the state of the macroeconomy's impact on retail and footwear brands worsened, and unfortunately significant expected investor funding for the Company fell through entirely in late Q3 of 2023.

The Decision to STOP Selling Club Memberships
As it related to the FIVE for FIVE Club, these events pushed the Company to a difficult point. Despite the increased need for cash caused by the state of the macroeconomy and the Company's recent inability to raise sufficient investor capital, the Company's leadership team made the decision to STOP selling memberships to the FIVE for FIVE Club given that the financial outlook of the Company within the unfolding economic climate had become less clear and thus the Company's confidence in fully delivering net new prospective Club members' expectations had been called into question.

The Decision to Delay Code Distribution
Throughout the financial hardship of Q4 of 2023, the Company continued to incur significant costs redeeming existing Club members' codes and continuing to fulfill products. The Company continued to further assess the macroeconomy's impact not only on Nisolo but also on the Company's suppliers and mostly family-owned factories (as well as these suppliers' ability to manufacture products on time for the Company to meet general customer demand as well as the delivery of products to existing Club members). It soon became clear to the Company that–

just as major strategic adjustments and operating expense reductions were having to be implemented across Nisolo LLC's entire business (as described later in this response)–a change would have to occur as it related to the FIVE for FIVE Club, too, in order for the Company to return to a place of financial stability. As a result, the Company made the difficult decision to delay the distribution of codes to Club members for 12 months, throughout most of 2024. Here are a few additional important points related to the decision to delay codes:

- The Company never anticipated being in a position where codes would have to be delayed, and this occurrence in 2024 was the first time in over 84 months of operating the Club that the Company was put in a position where it had to delay the distribution of codes to all Club members.
- To soften the impact of this decision on Club members as much as possible, the Company worked to ensure that every Club member (including those who had most recently bought memberships) received at least 2 code redemptions before they would be subject to the delay. This helped ensure that much of the original MSRP product value of the $500 membership would be appeased, and in some cases, even surpassed, depending on which products such members chose when redeeming their codes on the Nisolo website.
- At this time, to further soften the impact of the decision to delay codes, the Company also offered existing Club members a 50% off discount code, eligible to be used as many times as Club members wanted on any and all products on the Nisolo website (including products that had already received price markdowns, thus willingly allowing Club members to purchase products that ultimately would sell at a clear net loss for the Company).
- Midway through 2024, Company leadership learned that communication about the delay in code distribution and the discount offering outlined above had not been received by some members of the Club. Leadership eventually learned that this lapse in communication was in large part due to a previously unknown technical error by the 3rd-party created app that had been built to automate code distribution and communication with individual Club members. From that point forward, leadership abandoned the app and sought to manually get communication out to Club members who had missed the original communication. The Company remains very apologetic to any members who may not have received this communication in a timely manner.

The Company's Actions Improve Stability in Early 2024

In early 2024, in addition to the Company successfully raising a round of investor capital, the Company continued making all of the difficult decisions necessary to ensure that everything within the control of the Company was actioned upon in order to improve financial stability. Following the implementation of major expense reductions (including significant paycuts for executive team members, considerable staffing layoffs, reduced hours among contractors, pausing FIVE for FIVE code distribution, reducing marketing and advertising spend, removing non-critical vendors, and majorly reducing dues & subscriptions, etc.), the Company trended in a much improved financial direction well into the first half of 2024 and demonstrated significant, 7-figure improvements to EBITDA and net income year-over-year metrics during this time period. As a result, the Company felt continually and sincerely confident that the pause in distributing FIVE for FIVE codes would be able to be lifted by early 2025.

Macroeconomic Conditions Worsen Beyond Company's Control
While the Company was able to improve the economic outlook by taking every action possible within the Company's control, factors outside of the Company's control would ensue: worsening macroeconomic headwinds further weakened consumer confidence, increased supply chain and advertising costs, and made it even harder than it had been in 2023 for cash-strapped brands to access much needed, larger rounds of debt and investor equity capital.

As a result, in line with trends seen among the vast majority of similar E-Commerce brands at the time, the Company returned to a financially threatened position. And, unfortunately, just as the Company continued to battle within the most challenging U.S. retail climate brands had experienced since the Great Recession, a series of untimely supply chain and operational shock events (including, among others, substantial theft toward the Company by one of its international manufacturers in Peru) exacerbated the Company's circumstances and eventually derailed the trajectory of the business.

Continued Efforts to Raise Capital
As these events unfolded, the need to raise a significantly larger capital round became increasingly important. Unfortunately though, this remained the most difficult climate in history for E-commerce companies like Nisolo LLC to raise capital: For high-level context, while the S&P 500 had offered a positive (+30%) return over the 3 years leading up to Q3 2024, the Dow Jones U.S. Footwear Market Index had returned a negative (-25%) return. Large, publicly-traded footwear brands like Nike were down nearly 25% year to date at the time, mid-sized sustainably minded footwear brands like Allbirds had lost 98% of their market cap, and the recent, failed IPO of sneaker brands like Golden Goose further deterred investor sentiment. As many of the largest, most liquid companies in the footwear sector struggled to attract investor interest, DTC E-commerce companies like Nisolo LLC faced an even more difficult time.

Regardless, the Company hosted calls with dozens of investors in pursuit of a significantly dilutive, minority investment to help reset the Company's balance sheet. While many were impressed by the turnaround of the Company's bottom line, concern for a weakening macroeconomy and consumer sentiment during an election year became a deal breaker across the board. With pressure from the Company's senior lender and other creditors intensifying, the Company soon pivoted and sought out a handful of different M&A advisors and investment banking groups in full pursuit of a strategic majority acquirer who could at least ensure that the Company's liabilities and commitments would be honored through a sale. From that point forward, the Company aggressively pursued strategic acquirers in order to find a long-term home for the brand and the Club. As all of this related to the FIVE for FIVE Club, discussions with prospective acquirers continually highlighted the critical importance of the Club and why even post an acquisition, the Club needed to continue on and meet the expectations of Club members. Upon moving into due diligence after having received Letters of Intent (LOIs) from prospective acquirers, the Company put forth considerable effort to ensure acquirers recognized the critical importance of the Club. Beyond harking on the obvious commitment made to Club members and the various other benefits of the Club, from a financial standpoint, the Company also shared with prospective acquirers that the FIVE for FIVE Club had been profitable for the

Company in prior years and explained how the continuation of code redemption distribution over the life of the membership had driven additional revenue for the Company given that Club members would often purchase *new* products from the Company (even while receiving their code redemptions for products at $0 cost) throughout their membership tenure. Due to feedback from these discussions and the understanding among prospective acquirers of the Club's importance and also due to having received LOIs from prospective acquirers that indicated intent of maintaining the FIVE for FIVE Club, or, at a minimum, at least making commercially reasonable efforts to satisfy customers, the Company continually expected that the Club would continue in a meaningful capacity and that code distribution would be unpaused for Club members in 2025.

Struggles Continue Through Q4 2024

Through the late holiday season of 2024, the industry-wide performance of similar E-Commerce brands continued to substantially decline, and facing many of the same complications, the Company, too, was further negatively impacted. Throughout this time period, the Company continued doing everything within its control to engage potential acquirers and further reduce operating expenses and improve net income. Despite the Company's progress with these efforts, broader footwear and retail markets continued to decline (for example, at the time of writing this, publicly-traded footwear acquisition groups owning several household name footwear brands each faced the following declines in value in the last 6 months alone: Steve Madden, SHOO -56%, Foot Locker FL -50%, Caleres Inc. CAL -51%, Wolverine World Wide Inc. WWW -33% VF Corporation VFC -42%, Crocs Inc. CROC -33%, Deckers DECK -32%, etc.). And, while the impact on large, publicly-traded companies such as these has been substantial, the impact on smaller brands that are less liquid and more vulnerable in the footwear and direct-to-consumer space has continued to be catastrophic. Unfortunately, as the macroeconomy worsened through the end of 2024 and into early 2025, the Company was unable to finalize an acquisition with a buyer willing to assume 100% of the Company's liabilities. However, given prior discussions with prospective acquirers, the Company continued to anticipate that if an acquisition were to occur that an acquirer would at least carry the Club itself forward in some meaningful capacity.

The End of Nisolo LLC & the Club

In the end, the Company would face a similar fate that countless direct-to-consumer, E-commerce brands across the industry have faced—one in which valuations plummeted by as much as 80-90% in less than 24 months and where a number of once highly-touted 'darlings' of the consumer space (previously valued at north of $100 million) have been sold for no more than the value of their debt–a fraction of their peak worth, leading to zero return to equity investors or owners. In line with this industry trend, in late January of 2025, Nisolo LLC's senior-secured lender exercised their rights to foreclose on the Company's assets pursuant to Uniform Commercial Code Article 9 and sold the assets to an acquirer, Project Bound Inc. As shared, while the Company had anticipated that an acquiring party would continue the Club in some capacity (for the various outlined previously in this notice), Project Bound Inc., the new owner of the Company's assets, is not continuing the Club moving forward. Nisolo LLC, the Company formerly managing the Nisolo brand and Club, is no longer in active operation and (due to the foreclosure) has been left without assets to address former liabilities such as those of the Club. From late January of 2025 forward, the Nisolo brand, customer lists, social media channels,

email platforms, website, etc. are being fully operated by Project Bound Inc., which is an entirely different legal entity with different ownership and management than the former Company, Nisolo LLC. As such, following 7+ years of successful operation from 2016-2023, the FIVE for FIVE Club has come to a regrettable end due to all of the events described within this entire notice.

For further validation of the foreclosure and asset sale described in this notice, the Company's former senior-secured lender, Brightflow.AI, Inc. and Bright Plastics LLC may be contacted at nalin@jadecap.co and Project Bound Inc. may be contacted at support@nisolo.com. Additionally, a Secured Party Seller Bill of Sale between these two parties can be provided by Nisolo LLC upon request.

Consolation for Club Members

Given that Nisolo LLC is no longer in active operation and has been left without assets capable of offering some form of consolation to Club members, there is unfortunately nothing Nisolo LLC can do for Club members from this point forward. However, as a gesture of goodwill, the new owner and operator of the Nisolo brand, Project Bound Inc., **is offering all FIVE for FIVE Club members a 25% off VIP Lifetime Discount,** which Club members can receive by emailing Project Bound Inc. at support@nisolo.com and sharing proof with them of former Club membership.

Closing Notes for Club Members

Nisolo LLC recognizes that this outcome is extremely disappointing news for all Club members. As touched upon in this notice, the Company hopes members can understand that every avenue possible within the Company's control was sought out to avoid this outcome. The Company remains deeply saddened by the foreclosure and the end-result for all of Nisolo LLC's former creditors, investors and other stakeholders. The Company remains especially saddened by the impact this outcome has had on FIVE for FIVE Club members–many of whom are not only close family and friends of the brand and former management team but also who have been some of the Company's most loyal customers for nearly a decade.

The Company remains incredibly grateful for so many of the Club's members who have been understanding and supportive throughout the challenges the Company has recently faced. The Company also fully acknowledges and supports the very justifiable frustration that other Club members have felt. And, the Company sincerely hopes that the historical context provided within this response coupled with the lifetime discount resolution offered by NewCo are able to appease in some way at least a small fraction of these frustrations–especially given that all other actions (such as refunds, issuance of further codes, etc.) are now completely beyond the control of Nisolo LLC.

Keeping in mind the Company's origin story, the reason for its founding, and the vision for social and environmental responsibility that the Company incessantly pursued over the last 13+ years, the Company hopes all Club members understand that, similarly, the Company operated with positive intent throughout the duration of the Club, even through its most difficult moments. Having successfully operated and fulfilled thousands of products for the program over 84 months and "graduating" thousands of Club members fully through the 5 year journey and 100% distribution of their code offerings, the Company expected and intended for all codes associated with Club memberships to be distributed in their entirety. And, the Company deeply regrets that in the end this has not been possible. As previously shared, the Company attempted to manage the program as best as it could even through the hardest moments in the Club's history. Operating with positive intent, the Company made the intentional decision in October of 2023 to STOP selling $500 memberships (even though the Company could have used the additional cash at the time and there was still high demand for membership), given that the ability to fulfill net new future prospective members' codes with 100% confidence had become less clear. Despite the financial hardship at the time, the Company sought to ensure that even the Club's newest members had received at least 2 free products (while most Club members had already received 5+ code redemptions) prior to such members being subject to the "12 month delay"–therefore reaching toward, and in some cases, even surpassing the $500 MSRP value of such products, depending upon which products Club members chose to redeem. And, with positive intent, the Company offered a 50% discount off of all Nisolo products throughout the "12 month delay," including 50% off many products that were already marked-down in price (again, meaning the Company often incurred a net financial loss when such products were sold to Club members). From making the difficult decisions required to reduce operating expenses to working incredibly hard within an extremely challenging macroeconomic climate to secure debt and equity capital and an acquirer that would maintain the Club, the Company truly tried everything and pushed as hard as reasonably possible to avoid this outcome and ensure the long-term fulfillment of the Club members' expectations.Yet, the Company fully recognizes that these efforts were not enough. And, the Company remains extremely apologetic that Club members have been impacted directly in the end.

Recognizing that this may not be what some Club members may want to hear at this point in time, the Company also expresses its gratitude for the powerful, lasting impact Club members were able to create through their participation in the Club over the last 8 years. In part because of Club members' support, the Nisolo brand–with its focus on sustainability efforts within the fashion industry–was able to send glimmers of hope through what remains to be one of the darkest, most notorious industries in the world. In addition to the environmental impact Club membership helped create, Club membership and the manufacturing of products for Club members also helped support the livelihoods of countless individuals, most of whom are based in economically challenged locations around the world. And, so much more!

For all of the reasons expressed in this notice, the Company will forever remain sincerely apologetic for the way in which the FIVE for FIVE Club has ended and will forever remain incredibly grateful for Club members and the long-lasting impact they created through their support of the Nisolo brand.

Terms & Conditions Overview

While the above context and sentiments expressed in this notice are the primary purpose of the Company's response, this last section aims to answer any questions and concerns that relate to the terms and conditions that Club members agreed to when purchasing membership in the program. Similar to terms and conditions provided in any sort of membership group, the Club terms that were provided at the time of purchase aimed to offer full transparency of prospective risks to customers and also were put in place to protect the Company in the event of unexpected circumstances. Per the agreed upon terms of the Club *outlined verbatim in the last section of this response:* Club membership was agreed to be non-refundable after 30 days of purchase even if for any reason the Company was unable to fulfill any code redemptions. Per the agreed upon terms, the Company reserves the right, in its sole discretion, to modify or replace the terms at any time. Per the terms, it was agreed upon that the Company would not be held liable for any failure caused by or resulting from acts or circumstances beyond the Company's reasonable control. And per the terms, it was also made clear that participation in the Club carried risks including the risk that products and code redemptions may not be available. It's important to note, however, that the Company did not anticipate that events would actually transpire in which these terms would need to be referenced (as demonstrated, again, by the 7+ years and 84+ months that the Company fulfilled thousands of products with little to no interruption or need to ever lean upon or reference these terms). Unfortunately, though, the financial hardship the Company faced (in large part due to the U.S. macroeconomy's impact on relevant sectors of the retail industry)–along with the foreclosure of the Company's assets–have created significant, unexpected circumstances in which restating the terms and conditions of the Club is important. Ultimately, though, recognizing how difficult of an outcome this has become for all parties, the Company will remain forever extremely apologetic for the negative experience FIVE for FIVE Club members have endured and forever grateful for the long-lasting impact Club members created throughout the tenure of the program.

FIVE FOR FIVE CLUB TERMS & CONDITIONS

Applicability

These terms and conditions ("Terms") apply to your participation in the FIVE for FIVE Club operated by Nisolo, LLC, a Delaware limited liability company ("Nisolo"). Your membership and participation in FIVE for FIVE Club is conditioned on your acceptance of and compliance with these Terms. These Terms apply to all members who join the FIVE for FIVE Club. By joining the FIVE for FIVE Club and ordering products under your membership, you agree to be bound by these Terms. These Terms are an integral part of the Website Terms of Use that apply generally to the use of our Site. You should also carefully review our Privacy Policy before placing an order for products or services through this Site.

How the Program Works

You will pay a one-time, up-front fee of $500 in exchange for two credits per year (one every 6 months) for the next five years, redeemable for any pair of Nisolo branded shoes on Nisolo's website. Nisolo cannot guarantee all sizes, styles, and colors will always be in stock. Each credit expires exactly 6 months after you receive such credit. If you do not redeem a credit during the 6 months after which the credit is received, you forfeit rights to redeem such credit. The FIVE for FIVE Club offers a 30-day money back guarantee from when you purchase a membership, provided that no credit has been used. Except for the limited 30-day money back guarantee as described in the immediately preceding sentence, the $500 up-front fee is non-refundable. Shipping, taxes, returns and exchanges are governed by Nisolo's standard policies, which can be found on Nisolo.com.

Changes

Nisolo reserves the right, in its sole discretion, to modify or replace these Terms at any time. The latest version of these Terms will be posted on Nisolo's website, and you should review these Terms prior to purchasing any product or services that are available through Nisolo's website. Your continued use of

Nisolo's website after a posted change in these Terms will constitute your acceptance of and agreement to such changes.

Force Majeure

Nisolo will not be liable or responsible to you, nor be deemed to have defaulted or breached these Terms, for any failure or delay in our performance under these Terms when and to the extent such failure or delay is caused by or results from acts or circumstances beyond our reasonable control, including, without limitation, acts of God, flood, fire, earthquake, explosion, governmental actions, war, invasion or hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest, national emergency, revolution, insurrection, epidemic, pandemic, lockouts, strikes or other labor disputes (whether or not relating to our workforce), or restraints or delays affecting carriers or inability or delay in obtaining supplies of adequate or suitable goods, materials or telecommunication breakdown or power outage.

Disclaimer of Warranties

TO THE FULL EXTENT PERMISSIBLE BY APPLICABLE LAW, NISOLO DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR STATUTORY REGARDING THE FIVE FOR FIVE CLUB (INCLUDING THE PRODUCTS AVAILABLE FOR CREDIT REDEMPTION), INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. By purchasing your FIVE for FIVE Club membership, you acknowledge and assume all risks regarding the FIVE for FIVE Club membership, including, without limitation, the risk that certain products and sizes may not be available and that fees paid to Nisolo pursuant to this program are non-refundable even if Nisolo is for any reason unable to fulfill any credit redemptions or orders during any portion of the five year term of your FIVE for FIVE Club membership.

Assignment

These Terms and your FIVE for FIVE Club membership are personal to you. You may not assign these Terms or your FIVE for FIVE Club membership without the prior written consent of Nisolo. Nisolo may assign any of its rights and responsibilities hereunder at any time, without your consent, at its sole discretion. These Terms will insure to the benefit of the Nisolo's successors and assigns. Governing Laws and Jurisdiction All matters arising out of or relating to these Terms are governed by and construed in accordance with the internal laws of the State of Tennessee without giving effect to any choice or conflict of law provision or rule (whether of the State of Tennessee or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than those of the State of Tennessee.

California Civil Code Section 1789.3 Notice

Under California Civil Code Section 1789.3, California users are entitled to the following consumer rights notice: If you have a question or complaint regarding our site and the FIVE for FIVE Membership Club, please contact our Customer Service at our address set forth below under "Contact Us." Also, California residents may reach the Complaint Assistance Unit of the Division of Consumer Services of the California Department of Consumer Affairs by post at 1625 North Market Blvd., Sacramento, CA 95834 or by telephone at (916) 445-1254 or (800) 952-5210 or Hearing Impaired at TDD (800) 326-2297 or TDD (916) 322-1700.

Entire Agreement

Our order confirmation and these Terms will be deemed the final and integrated agreement between you and us on the matters contained in these Terms.

Third Party Sites

Nisolo has no control over, and assumes no responsibility for, the content, privacy policies, or practices of any third party web sites or services. You further acknowledge and agree that Nisolo shall not be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with use of or reliance on any such content, goods or services available on or through

any such web sites or services.

Thank you,
Nisolo, LLC
PO Box 40229
Nashville, TN 37204
NisoloLLC5for5@gmail.com